

STATE OF WASHINGTON



OF OFFICE OF  
INSURANCE COMMISSIONER

IN THE MATTER OF	)	
	)	
AMERICAN AND FOREIGN INSURANCE	)	
COMPANY - NAIC 24589	)	
	)	
ROYAL INSURANCE COMPANY	)	
OF AMERICA – NAIC 26980	)	
	)	
ROYAL INDEMNITY COMPANY -	)	
NAIC CODE 24678	)	
	)	
SAFEGUARD INSURANCE COMPANY-	)	
NAIC 24694	)	
	)	
GLOBE INDEMNITY COMPANY	)	CONSENT ORDER
NAIC 24600	)	LEVYING A FINE
	)	
Authorized Stock Insurers	)	No. D01-128
_____	)	

TO: ROYAL & SUNALLIANCE, ON BEHALF OF NAMED COMPANIES  
9300 Arrowpoint Blvd.  
Charlotte NC 28273

*Comes Now the Insurance Commissioner of the State of Washington, pursuant to the authority set forth in RCW 48.02.080 and RCW 48.05.185, and having reviewed the official records and files of the Office of the Insurance Commissioner, makes the following:*

FINDINGS OF FACT:

1. The above named Companies (“Royal ” or “Companies”) are stock insurers authorized by the Office of the Insurance Commissioner and licensed to do business in the State of Washington.

2. The Office of the Insurance Commissioner (OIC) conducted a market conduct exam of Royal for the time period June 1, 1999 through May 31, 2000, which exam was adopted by Order of the Commissioner dated July 31, 2001. Company did not contest the Order or its findings with the exception of correct identification of the domicile of the affiliate companies.
3. The Companies examined were: American and Foreign Insurance Company; Globe Indemnity Company, Royal Indemnity Company, Royal Insurance Company of America and Safeguard Insurance Company.
4. RCW 48.17.160(1) requires carriers to solicit insurance only through duly licensed and appointed agents. Company's Washington operations failed to comply with this requirement in 5.74% of its policies written in the State of Washington.
5. RCW 48.22.030 requires companies to obtain an insured's signed rejection for mandated coverages (underinsured, hit and run, phantom vehicle coverage) or for rejection of policy limits lower than those the insured had been quoted. 17.4% of Company's Washington policy files failed to comply with this requirement.
6. RCW 48.19.040 and WAC 284-24-100 requires carriers to implement procedures to ensure that schedule rating plans shall provide no more than a 25% credit or debit, is administered equitably and fairly and provides for an objective analysis by the insurer, based on factual information. 6.2% of Company's Washington underwriting files failed to comply with this requirement.
7. WAC 284-30-560(2)(a) requires binders issued to confirm policy coverage to meet certain criteria as to form. 17.7% of Company's Washington binders were issued in violation of this regulation. All non-compliant binders were issued by the same agent.
8. RCW 48.18.100 requires carriers to issue insurance policies using forms approved by the Insurance Commissioner. 11% of Company's commercial policies violated this requirement, as umbrella policies were issued with an endorsement that had not been approved at the time it was used.
9. RCW 48.18.100 specifies that only approved and filed policies and rates may be used by carriers, unless they are exempt forms under RCW 48.18.103. 9% of Company's commercial policies used forms that were not filed with the Office of the Insurance Commissioner.
10. Company issued 4,267 commercial auto policies using an erroneous rating program. This resulted in rating errors in 90% of the policies. 84% were overcharged premium, and 6% were undercharged. This violates WAC

284-24-100. Company refunded \$21,111.00 to 633 policyholders as a result of this computer programming error.

11. Company issued 609 commercial umbrella policies utilizing a Judgement Modification Table that was specifically unapproved by the Office of the Insurance Commissioner. This violates WAC 284-24-100.
12. RCW 48.19.040(6) requires carriers to file rates before using them. Company wrote 104 motor home policies applying rates that had not yet been approved. In addition, Company violated the rate filing requirement in 6.4% of its personal lines policies.

Based on the foregoing Findings of Fact, the Commissioner makes the following:

#### CONCLUSIONS OF LAW

1. RCW 48.05.185 authorizes the Insurance Commissioner to impose a fine in lieu of the suspension or revocation of a Company's license.
2. The Company violated RCW 48.17.160(1) by soliciting insurance through unlicensed or unappointed agents.
3. The Company violated RCW 48.22.030 by failing to obtain an insured's signed rejection for mandated coverages, or rejection of policy limits lower than those the insured had been quoted by the agent or broker.
4. The Company violated RCW 48.22.030 and WAC 284-25-100 by failing to implement procedures related to rating plan administration, resulting in underwriting files that do not contain an objective analysis based on factual information to support its schedule rating plans.
5. The Company violated WAC 284-30-560 by issuing binders that do not meet Washington State criteria as to form.
6. The Company violated RCW 48.18.100(1) by issuing commercial policies with forms and an endorsement that was not approved at the time it was issued.
7. The Company violated RCW 48.19.040(6) by issuing 4,267 policies using an erroneous rating program.

#### CONSENT TO ENTRY OF ORDER

NOW, THEREFORE, Royal & SunAlliance, on behalf of its affiliate companies, American and Foreign Insurance Company; Globe Indemnity Company, Royal Indemnity Company, Royal Insurance Company of America and Safeguard Insurance Company, consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings, and the Insurance Commissioner consents

to settle the matter in consideration of Royal 's payment of a fine as set forth below, and such other terms and conditions as are set forth below:

1. Royal consents to the entry of this Order, and waives further administrative or judicial challenge to the OIC's actions related to the subject matter of the Order; and
2. Within thirty days of the entry of this Order, Royal agrees to pay to the OIC a fine in the amount of Two Hundred Thirty Two Thousand Dollars (\$232,000.00), of which One Hundred Sixteen Thousand, Four Hundred Fifty Dollars (\$116,450.00) is suspended on condition that Royal shall not violate the Statutes or regulations enumerated in this Order nor any related Washington State statute or regulation for a period of two years from the date of entry of this Order; and
3. Failure to pay the fine set forth in paragraph two shall constitute grounds for the revocation of the applicable certificate of authority issued to American and Foreign Insurance Company; Globe Indemnity Company, Royal Indemnity Company, Royal Insurance Company of America and Safeguard Insurance Company, and for the recovery of the fine, including the suspended portion of the fine, in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington; and
4. Failure to comply with RCW 48.17.160, 48.18.100, 48.19.040 or 48.22.030 shall constitute grounds for the recovery of the suspended portion of the fine; and
5. Failure to comply with the Compliance Plan set forth in Exhibit A shall constitute a per se violation of the laws of the State of Washington and be subject to such further enforcement as the Commissioner deems necessary in the circumstances.

EXECUTED THIS 22<sup>nd</sup> day of January, 2002 by

AMERICAN AND FOREIGN INSURANCE COMPANY  
ROYAL INSURANCE COMPANY OF AMERICA  
ROYAL INDEMNITY COMPANY  
SAFEGUARD INSURANCE COMPANY  
GLOBE INDEMNITY COMPANY

By: \_\_\_\_\_

Its (title) \_\_\_\_\_

ORDER OF THE INSURANCE COMMISSIONER

*NOW, THEREFORE*, Comes the Insurance Commissioner of the State of Washington, and orders ROYAL & SUNALLIANCE to pay a fine in the amount of \$232,000.00, the sum of \$ 116,450.00 of which is suspended pending the Company's compliance with Washington State law for the next two calendar years from the effective date of the Consent Order forward; and

*It is further ordered* that Royal to pay the unsuspended portion of said fine within thirty days of the entry of this Order in Olympia Washington; and

*It is further ordered* that Royal 's failure to pay the fine within the time limit set forth above shall result in the revocation of the insurer's certificate of authority, and in the recovery of both the suspended and unsuspended amounts of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington; and

*It is further ordered* that Royal 's failure to comply with Section 4 of the Consent to Order during the next two calendar years from the effective date of the Consent Order forward shall be grounds for recovery of the suspended portion of the fine.

ENTERED AT OLYMPIA, WASHINGTON on this 24th day of January 2002.

MIKE KREIDLER  
Insurance Commissioner

By: \_\_\_\_\_  
Carol Sureau  
Assistant Deputy Commissioner